

MARCH 15, 1976

FRENCH FRANC ACTION PART OF CURRENCY CHANGES

ANNCR:

FRANCE'S TEMPORARY WITHDRAWAL OF THE FRANC FROM THE EUROPEAN CURRENCY BLOC IS ANOTHER MANIFESTATION OF MONEY CHANGES PRECIPITATED BY UNDERLYING ECONOMIC FACTORS. VOA BUSINESS EDITOR FRANK FEINBERG HAS THIS ANALYSIS:

VOICE:

FRANCE, FOR THE TIME BEING, HAS DETACHED THE FRANC FROM ITS AFFILIATION WITH SIX OTHER EUROPEAN CURRENCIES. AND FINANCE MINISTER JEAN-PIERRE FOURCADE SAYS THE GOVERNMENT WILL TAKE APPROPRIATE STEPS TO MAINTAIN THE FRANC'S VALUE LEVEL CONSISTENT WITH OTHER CURRENCIES.

THE FRENCH FRANC HAS BEEN IN A CURRENCY BLOC WITH THE DEUTSCHE MARK, THE BELGIAN FRANC, THE NETHERLANDS

GULDEN (GUILDER) AND THE DANISH KRONE. UNDER AN AGREEMENT OF APRIL, 1972, THE BLOC COUNTRIES WERE TO MAINTAIN THE VALUE OF THEIR RESPECTIVE CURRENCIES WITHIN TWO AND ONE-QUARTER PER CENT--UP OR DOWN--OF A RATE APPLICABLE TO ALL THE CURRENCIES. THIS MEANS, FOR EXAMPLE, THAT THE FRENCH FRANC THEORETICALLY COULD HAVE TRADED AT FOUR POINT SEVEN-EIGHT AGAINST THE DOLLAR, WHILE OTHER CURRENCIES WERE TRADED AT EQUIVALENT VALUES.

THE EUROPEAN CENTRAL BANK HEADS WANT GREATER STABILITY IN CURRENCY EXCHANGES AMONG THEMSELVES, AND IN WORLD TRADE. BUT THIS IS NOT EASILY ATTAINABLE, AS A GROUP, THE INVOLVED COUNTRIES HAVE EXPERIENCED WIDE DIFFERENCES

IN THEIR BALANCE OF PAYMENTS GOALS. THERE ARE BIG GAPS FROM COUNTRY TO COUNTRY IN THE RATIO OF EXPORTS AND IMPORTS AND IN PRODUCTIVITY OF INDUSTRIES. THE GROUP, WHILE COMMONLY FACED WITH ESCALATING ENERGY COSTS, HAVE HAD VARYING SUCCESS IN OVERCOMING STIFF OIL IMPORT BILLS. AND, CERTAINLY NOT LEAST, HAS BEEN BOTH THE DIVERGENT RATES OF INFLATION AND DIFFERENCES IN ABILITY TO COPE WITH INFLATION. THESE FACTORS -- INDIVIDUALLY AND COLLECTIVELY -- EXERT TREMENDOUS PRESSURES ON NATIONAL ECONOMIES ... AND THIS ULTIMATELY IS REFLECTED IN THE STRENGTH OF NATIONAL CURRENCIES.

BRITAIN AND ITALY, ORIGINAL MEMBERS OF THE CURRENCY BLOC, LATER WITHDREW BECAUSE OF THEIR WEAK TRADE POSITIONS. AND FRANCE WITHDREW THE FRANC -- FOR THE FIRST TIME -- IN JANUARY OF 1974 -- WHEN PARIS FACED DROPS IN EXPORTS, AND RISING OIL COSTS.

MONETARY EXPERTS IN WASHINGTON OBSERVE THAT WHEN FRANCE RE-ENTERED THE CURRENCY ARRANGEMENT -- IN JULY OF LAST YEAR -- THE FRANC WAS POSTED AT THE SAME RATE AS WHEN FRANCE FIRST WITHDREW -- ONE-SEVENTY-TWO POINT FIVE FRANCS TO ONE-HUNDRED DEUTSCHE MARK. THESE EXPERTS SAY THE FRANC'S VALUE WAS FIXED AT TOO HIGH A RATE, AND THAT IT COULD NOT MAINTAIN THAT LEVEL. WHILE FRANCE'S INFLATION RATE HAS BEEN LESS THAN THAT OF BRITAIN AND ITALY, IT HAS BEEN HIGHER THAN WEST GERMANY'S AND THE OTHER CURRENCY BLOC COUNTRIES. (OPT) ALSO, WHILE FRANCE HAS BEEN INCREASING EXPORTS, THE FRENCH ECONOMY IS UNDERGOING A FORMIDABLE RECONVERSION TOWARD FURTHER INDUSTRIALIZATION.

THIS HAS PUSHED UP AGRICULTURAL PRICES, AND IN TURN MEANT HIGHER PRICE FOR ALL TYPES OF COMMODITIES AND GOODS. (END OPT) THIS STRAIN ON THE FRANC HAS CAUSED IT TO DROP AGAINST STRONGER CURRENCIES, SUCH AS THE DEUTSCHE MARK.

ALL NATIONS WANT A STRONG AND STABLE CURRENCY. THE MONETARY CONFERENCES LAST YEAR AT RAMBOUILLET AND JAMAICA MADE SIGNIFICANT CONTRIBUTIONS. BUT, AS WITNESS THE CURRENT PROBLEMS OF THE POUND AND THE FRANC, THE GOAL REMAINS ELUSIVE. HOWEVER, WITH RESOLVE AT HOME -- AS BRITAIN IS DEMONSTRATING -- AND REGIONAL CO-OPERATION SUCH AS PARIS AND BONN HAVE BEEN MAINTAINING -- REALISTIC CURRENCY VALUES MAY BE ATTAINABLE.

JS/PBM